

Mr. Wilson K. Dillard, Administrator
Community Services for the Aging, Inc.
d/b/a Mountainview Nursing Home
340 Cedar Springs Road
Spartanburg, South Carolina 29302-4697

Re: AC# 3-MTN-J6 – Community Services for the Aging, Inc. d/b/a Mountainview
Nursing Home

Dear Mr. Dillard:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**COMMUNITY SERVICES FOR THE AGING, INC.
D/B/A MOUNTAINVIEW NURSING HOME**

SPARTANBURG, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-MTN-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 12, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Community Services for the Aging, Inc. d/b/a Mountainview Nursing Home, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Community Services for the Aging, Inc. d/b/a Mountainview Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Community Services for the Aging, Inc. d/b/a Mountainview Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 12, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

MOUNTAINVIEW NURSING HOME
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-MTN-J6

	<u>10/01/97-</u> <u>09/30/98</u>
Interim reimbursement rate (1)	\$88.57
Adjusted reimbursement rate	<u>88.49</u>
Decrease in reimbursement rate	\$ <u><u>.08</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

MOUNTAINVIEW NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MTN-J6

	Cost and Profit <u>Incentives</u>	Allowable <u>Cost</u>	Cost <u>Standard</u>	Computed <u>Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.94	\$46.38	
Dietary		9.75	9.01	
Laundry/Housekeeping/Maint.		<u>10.89</u>	<u>7.38</u>	
Subtotal	\$ <u>-</u>	63.58	62.77	\$62.77
Administration & Med. Rec.	\$ <u>2.79</u>	<u>6.41</u>	<u>9.20</u>	<u>6.41</u>
Subtotal		69.99	<u>\$71.97</u>	69.18
<u>Costs Not Subject to Standards:</u>				
Utilities		2.37		2.37
Special Services		.05		.05
Medical Supplies & Oxygen		5.24		5.24
Taxes and Insurance		.57		.57
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$78.24</u>		77.43
Inflation Factor (4.40%)				3.41
Cost of Capital				5.40
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.74
Cost Incentive - For General Services, Dietary, Laundry, Housekeeping, and Maintenance				-
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(.99)
Minimum Wage Add On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$88.49</u>

MOUNTAINVIEW NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-MTN-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,996,985	\$ 5,570 (2) 56,938 (4) 8,310 (5) 745 (5)	-	\$2,068,548
Dietary	467,808	1,279 (5) 17,504 (7)	16,858 (8)	469,733
Laundry	123,115	82 (5)	-	123,197
Housekeeping	223,515	949 (5) 6,478 (7)	8,778 (8)	222,164
Maintenance	179,512	1,093 (2) 563 (5) 5,078 (7)	66 (1) 6,915 (8)	179,265
Administration & Medical Records	307,739	947 (5) 13 (5) 111 (5) 13,644 (7)	516 (5) 13,073 (8)	308,865
Utilities	115,490	3,252 (7)	4,390 (8)	114,352
Special Services	59,134	-	56,938 (4)	2,196
Medical Supplies & Oxygen	265,318	-	12,937 (3)	252,381
Taxes & Insurance	42,469	1,176 (7)	7,883 (2) 7,454 (5) 1,029 (8)	27,279

MOUNTAINVIEW NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-MTN-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	1,034	55 (7)	50 (8)	1,039
Cost of Capital	210,190	50,319 (6) 478 (7)	2,161 (1) 2,394 (8)	259,954
	<u> </u>	<u>3,522 (9)</u>	<u> </u>	<u> </u>
Subtotal	3,992,309	178,106	141,442	4,028,973
Ancillary	56,137	12,937 (3)	-	69,074
Non-Allowable	20,757	2,227 (1) 1,220 (2) 502 (5)	47,665 (7) 3,522 (9)	27,006
	<u> </u>	<u>53,487 (8)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$4,069,203</u>	<u>\$248,479</u>	<u>\$192,629</u>	<u>\$4,125,053</u>
TOTAL PATIENT DAYS	<u>48,176</u>	<u>-</u>	<u>-</u>	<u>48,176</u>
TOTAL BEDS	<u>132</u>			

MOUNTAINVIEW NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-MTN-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 11,550	
	Nonallowable	2,227	
	Fixed Assets		\$ 8,069
	Maintenance		66
	Cost of Capital		2,161
	Other Equity		3,481
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Restorative	5,570	
	Maintenance	1,093	
	Nonallowable	1,220	
	Taxes, Insurance & Licenses		7,883
	To allocate auto insurance to the proper cost centers State Plan, Attachment 4.19D		
3	Ancillary	12,937	
	Medical Supplies & Oxygen		12,937
	To remove prescription drug costs from OTC drugs DH&HS Chart of Accounts State Plan, Attachment 4.19D		
4	Restorative	56,938	
	Special Services		56,938
	To properly report salaries and fringes HIM-15-1, Section 1412.2		

MOUNTAINVIEW NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-MTN-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	8,310	
	Restorative	745	
	Dietary	1,279	
	Laundry	82	
	Housekeeping	949	
	Maintenance	563	
	Administration	947	
	Administration	13	
	Medical Records	111	
	Nonallowable - Daycare	502	
	Taxes and Insurance		7,454
	Administration		516
	Other Equity		5,531
	To properly state pension expense		
	HIM-15-1, Section 2142.6C		
	State Plan, Attachment 4.19D		
	DH&HS Expense Checklist		
6	Cost of Capital - Interest Income	50,319	
	Interest Income		50,319
	To reverse offset of income		
	earned on gift		
	HIM-15-1, Section 202.2		
7	Dietary	17,504	
	Housekeeping	6,478	
	Maintenance	5,078	
	Administration	13,644	
	Legal	55	
	Utilities	3,252	
	Taxes, Insurance & Licenses	1,176	
	Cost of Capital	478	
	Nonallowable		47,665
	To reverse Provider/DH&HS adjustment		
	to remove indirect costs applicable		
	to non-reimbursable cost centers		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

MOUNTAINVIEW NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-MTN-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	53,487	
	Dietary		16,858
	Housekeeping		8,778
	Maintenance		6,915
	Administration		13,073
	Legal		50
	Utilities		4,390
	Taxes, Insurance & Licenses		1,029
	Cost of Capital		2,394
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Cost of Capital	3,522	
	Nonallowable		3,522
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$260,029</u>	<u>\$260,029</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MOUNTAINVIEW NURSING HOME
Cost of Capital Reimbursement Analysis
Cost Report Period Ended September 30, 1996
AC# 3-MTN-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>132</u>
Deemed Asset Value	4,358,904
Improvements Since 1981	267,221
Accumulated Depreciation at 9/30/96	(<u>1,712,754</u>)
Deemed Depreciated Value	2,913,371
Market Rate of Return	<u>0.070</u>
Total Annual Return	203,936
Return Applicable to Non-Reimbursable Cost Centers	(7,417)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	196,519
Depreciation Expense	72,268
Amortization Expense	-
Capital Related Income Offsets	(6,439)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,394)</u>
Allowable Cost of Capital Expense	259,954
Total Patient Days (Minimum 97% Occupancy)	<u>48,176</u>
Cost of Capital Per Diem	\$ <u><u>5.40</u></u>

MOUNTAINVIEW NURSING HOME
Cost of Capital Reimbursement Analysis
Cost Report Period Ended September 30, 1996
AC# 3-MTN-J6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.78
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.77</u>
Reimbursable Cost of Capital Per Diem	\$5.40
Cost of Capital Per Diem	<u>5.40</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>